

Blue Ribbon Panel Funding Options

1. Increase Fuel Tax at the Pump

- Based on the URI analysis which includes a fairly constant assumption of elasticity, a 5 cent increase could produce revenue of \$ 22.2 M; a 10 cent increase- \$43.6 M; and a 15 cent increase- \$ 64 M
- Primary issue is comparability with other states; RI residents buying less expensive gas in border states
- Fuel tax should be indexed for inflation; supported by Governor's Transition Team
- Sales tax could also be placed on gasoline, in lieu of or in addition to, per gallon tax

Comments: Support was expressed for this option at public hearings. It was seen as an equitable user fee that rewards drivers of fuel efficient vehicles. A campaign to encourage RI residents to buy gas in-state to support transportation was suggested.

2. Petroleum Products Gross Earnings Tax

- This is a fixed percent tax on the wholesale price of gasoline paid by the wholesaler
- This option would result in an increase in the price of the gas at the pump. This would be a new program with start-up costs.
- Connecticut's whole sale tax plus its tax at the pump equates to a gasoline tax of 52.4 cents per gallon

3. Vehicle Registration Fee

- \$5 increase in annual fee could produce revenue of \$5.7 M; \$10 increase- \$11.5 M; \$20 increase- \$22.9 M
- Registry would need a new computer system in order to implement this option – a new system should be online in FY 2011

Comments: Fee could be varied by weight (currently it does vary somewhat by weight). Fee could be made annually, instead of biennially. A large increase in this type of fee could result in a decrease in vehicles registered.

4. Other Driver Fees

- Fee for reinstatement of licenses could produce additional revenue.
- Also consider increases in traffic violation fees and fees on overweight vehicles.

5. Automobile Sales Tax Increase

- Each percent increase in the sales tax could produce revenue of \$12.5 M.
- The Streamlined Sales Tax Agreement prevents the imposition of a tax rate for automobiles higher than the general rate

Comments: Would be more equitable if applied only to new cars; could also disallow trade-in deduction from sales tax.

6. General Sales Tax Revenue

- Consider broadening the state sales tax to include new categories; rate could then be lowered.
- Tax items related to transportation, such as the purchase of tires and services.
- Dedicate portion of tax to transportation program.
- Give municipalities the ability to add to the sales tax to support local road programs.
- An increase in 0.5 percent of the sales tax could produce annual revenue of \$64 M.

7. Tolls

- Could generate \$10-100 M per year.
- Tolls should be indexed and located to capture through-traffic.
- Time delay between initiation of process and receipt of funds; capital costs and operating costs need to be considered.
 - As an example, to construct a toll booth at the Connecticut border at I-95 is estimated to take at least 3 years at a cost of \$12 million
- Difficult to implement on high-volume roads.
- Could result in traffic diversion and congestion on alternate routes.

Comments: Equity is a major concern for this option.

8. Impact Fees

- Fee recovers benefit associated with property access to transportation facilities.
- Discourages economic activity and development.
- Typically used for new transit facilities.

9. Parking Fees

- Assessment on businesses that provide free parking, either to customers or employees. This program would encourage the use of mass transit.
- Place a tax on any paid parking.

10. Telecommuting

- Assess income tax on RI telecommuters, whether operating in or out-of-state.